# GOVERNMENT OF INDIA
# CHEMICALS AND FERTILIZERS
# LOK SABHA

UNSTARRED QUESTION NO:2820
ANSWERED ON:12.12.2005
SUBSIDY ON UREA AND OTHER FERTILIZERS
Kaushal Shri Raghuvir Singh

**Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:**

(a) whether the Government has provided subsidy to the units producing Urea and other fertilizers in the country as well as on the fertilizer being imported from foreign countries;

(b) if so, the details of the subsidy being provided alongwith the rates of subsidy during the current financial year;

(c) whether any report has been prepared by the cost accounting branch of the Ministry of Finance on the cost price study of Single Super Phosphate (SSP);

(d) if so, the details thereof;

(e) whether the Government after examining the report has completed the process to find out the appropriate measures to provide relaxation on SSP;

(f) if so, the details thereof; and

(g) the progress made so far in this regard ?

## Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) & (b): With the objective of making available fertilizers to all farmers of the country at affordable prices, urea, being the only controlled fertilizer, is sold at statutorily notified maximum retail price (MRP), and the decontrolled phosphatic and potassic fertilizers, such as DAP, MOP and NPK complexes are sold at indicative MRPs. As the cost of production of these fertilizers is generally higher than the MRP/Indicative MRPs, the difference between cost of production as assessed by the Government and the MRP/Indicative MRPs is paid as subsidy/concession to the manufacturers of the these fertilizers. As the MRP/Indicative MRPs of both indigenous and imported fertilizers are fixed uniformly, subsidy/concession is also given on imported urea and decontrolled phosphatic and potassic fertilizers.

In the case of indigenous urea, the difference between the rate of concession payable to each urea unit under the group based New Pricing Scheme for urea units and the statutorily notified MRP, which is presently Rs. 4830/PMT, is paid as subsidy to indigenous manufacturing urea units. In addition, they are also paid equated freight and dealer`s margin. In the case of imported urea, whose import is made on Government account through State Trading Enterprises, Government transfers ownership of the urea to the handling agencies at High Seas and recovers its cost at the pool issue price fixed by it. The handling and distribution expenses of urea imported on Government account are also borne by the Government. The difference between landed cost and pool issue price is borne by the Government as subsidy on imported urea. During the financial year 2005-06, a budgetary provision of subsidy/concession of Rs. 10110.37 crore for indigenous urea, Rs. 943.53 crore for imported urea and Rs. 5200.00 crore for decontrolled phosphatic and potassic fertilizers has been made.

In the case of decontrolled phosphatic and potassic fertilizers, subsidy/concession is provided on the sales of these fertilizers to the manufacturers/importers under the Concession Scheme. Department of Fertilizers announces indicative MRPs of phosphatic and potassic fertilizers except those of SSP and pays difference between normative delivered price and indicative MRP as subsidy/concession on these fertilizers. Base concession rates announced by the Government w.e.f. 1.7.2005 are given in the enclosed Annexure. In the case of SSP, indicative MRP is fixed by respective State Governments and Government of India pays ad hoc concession of Rs. 650/PMT (and @ Rs. 975/PMT w.e.f. 1.9.2005).

(c) to (g): Cost Account Branch (CAB) of Ministry of Finance had submitted its reports to the Department of Fertilizers in May, 2004. CAB had recommended the fair price of SSP at Rs. 3600/PMT. The Government, after examination of the matter, has decided to increase the ad hoc concession rate of SSP from Rs. 650/PMT to Rs. 975/PMT w.e.f. 1.9.2005. The MRP of SSP is still to be decided by various State Governments.

Annexure referred to in reply to parts (a) and (b) of the Lok Sabha Unstarred Question No. 2820 to be answered on 12.12.2005

Base concession rates of decontrolled P&K fertilizers for the year 2005-2006 w.e.f.1.7.2005

(Rate Rupees per MT)

| Product | Base rates for 2005-06 | | | |
|---|---|---|---|---|
| | W.e.f.1.4.2005 | | W.e.f.1.7.2005 | |
| | Group I | Group II | Group I | Group II |
| Indigenous DAP | 4867 | 4867 | 5613 | 5613 |
| DAP imported | 4867 | | 5000 | |
| MOP | 6066 | | 6066 | |
| SSP | 650 | | 650 | |
| 16:20:0 | 2111 | 3014 | 2399 | 3302 |
| 20:20:0 | 2608 | 3736 | 2896 | 4024 |
| 20:20:0 (gas) | 1604 | | 1892 | |
| 23:23:0 (gas) | 1764 | 4216 | 2095 | 4547 |
| 28:28:0 | 5136 | 5134 | 5540 | 5538 |
| 10:26:26 | 5180 | 5744 | 5555 | 6119 |
| 12:32:16 | 4790 | 5466 | 5251 | 5927 |
| 14:28:14 | 4281 | 5071 | 4685 | 5475 |
| 14:35:14 | 5140 | 5930 | 5645 | 6435 |
| 15:15:15 (gas) | 2918 | | 3135 | 4734 |
| 15:15:15 | 3671 | 4517 | 3888 | |
| 17:17:17 | 3570 | 4529 | 3815 | 4774 |
| 19:19:19 | 5459 | 5458 | 5733 | 5732 |